



COUNCILMEMBER CARL DeMAIO

FIFTH DISTRICT

CITY OF SAN DIEGO

MEMORANDUM

DATE: January 4, 2009

TO: Honorable Mayor and City Councilmembers
Independent Budget Analyst

FROM: Councilmember Carl DeMaio *Carl DeMaio*

RE: Anticipation of GASB Action Related to "Postemployment Benefit Accounting and Financial Reporting" Project

The Government Accounting Standards Board (GASB) is considering a requirement that cities and counties report pension liabilities in a way that could damage their ability to obtain credit.

If implemented, the new standards would potentially require the city to report its unfunded pension liability (estimated at over \$2 billion) on its balance sheet.

GASB board members have confirmed in the press that a draft of the new rules may be produced as soon as July 1, 2010, with a comment period scheduled to conclude in September of 2010, according to the GASB website.

Given the potential impact of the accounting rule change to the city and that the changes would almost certainly take effect within the timeframe of the city's current Five Year Outlook - if not within the timeframe of the recently adopted 18-month budget plan - I request that the Independent Budget Analyst provide the Budget and Finance Committee with an overview of the changes currently being considered. Furthermore, I request that this report include elaboration on the potential impact to city borrowing capabilities, operations and the likely timing of the implementation of these changes.

While I recognize that this would be a report on what may happen, decision-makers must be prepared for the forthcoming actions and fully understand the ramifications of these new GASB rules on the city's financial operations in the near future.